

**LINEBAUGH LIBRARY SYSTEM**  
**MURFREESBORO, TENNESSEE**  
**AUDITED FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**

## LINEBAUGH LIBRARY SYSTEM

### TABLE OF CONTENTS

	<u>Page</u>
Audited Financial Statements-	
Independent Auditor's Report	3
Management's Discussion and Analysis	4-6
Statement of Net Assets	7
Statement of Activities	8
Governmental Fund Balance Sheet	9
Governmental Fund Revenue, Expenses and Changes in Fund Balance	10
Reconciliation of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance To the Statement of Activities	11
Notes to Financial Statements	12-16
Required Supplementary Information	17
Report on Compliance and Internal Control	18-19
Schedule of Findings and Responses	20

**Independent Auditors' Report**

Board of Directors  
Linebaugh Library System  
Murfreesboro, Tennessee

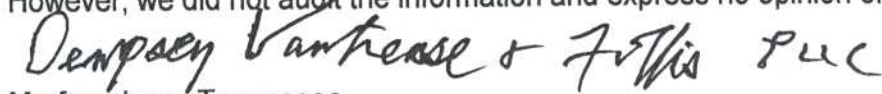
We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of the Linebaugh Library System as of June 30, 2009, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the governmental activities, the discretely presented component unit and each major fund of the Linebaugh Library System as of June 30, 2009, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2009 on our consideration of the Linebaugh Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4-6 and the schedule of funding progress on page 17 are not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
Murfreesboro, Tennessee  
December 10, 2009



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Linebaugh Library System's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended June 30, 2009. This should be read in conjunction with the Library's financial statements which begin on page 7.

### **FINANCIAL HIGHLIGHTS**

- The Library net assets increased by \$20,117 for the year.
- The Library's program and other revenues were about the same as the prior year.
- The expenses for the year were \$2.21 million compared to \$2.25 million in the prior year.

### **USING THIS REPORT**

This report consists of the following financial statements: the statement of net assets, statement of activities and the fund financial statements. The statement of net assets and statement of activities provide information about the Library's finances as a whole, whereas the fund financial statements provide more detail information about the Library's operations.

### **GOVERNMENT-WIDE STATEMENTS**

The government-wide statements include the statement of net assets and the statement of activities and report the operations of the Library as a whole using accounting methods similar to those used by private companies. These two statements report the Library's net assets and how they changed. Net assets, which are the difference between assets and liabilities, are one way to measure the Library's financial health. Over time, increases or decreases in the Library's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors should also be considered such as the overall financial health of Rutherford County, the City of Smyrna, the City of Eagleville and the City of Murfreesboro since these entities primarily support the Library. Also included in the government-wide statements is a component unit, the Linebaugh Library Foundation("the foundation"), which is a separate, tax exempt entity that supports the Library.

### **FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the Library's four funds – the Smyrna Public Library fund, the Myrtle Glanton Lord (MGL) Library fund, the Eagleville Bicentennial Library fund and the Linebaugh Public Library (Murfreesboro) fund. These four funds track the specific revenues and expenses for each fund and the balances that are left in the funds for future spending. These funds only focus on cash and other assets that can be easily converted to cash. The fund statements include a reconciliation of the difference between the fund statements and the government-wide statements.

## FINANCIAL ANALYSIS

A condensed statement of the Library's net assets excluding the foundation is shown in Table 1 below.

**Table 1**  
Net Assets

	2009	2008
Cash and investments	\$ 701,668	\$ 601,613
Capital assets	922,515	994,908
Other	18,222	15,873
	<u>1,642,405</u>	<u>1,612,394</u>
Other liabilities	(90,269)	(80,375)
Net assets:		
Invested in capital assets	922,515	994,908
Unrestricted	628,450	519,491
Restricted for grants	1,171	17,620
	<u>\$ 1,552,136</u>	<u>\$ 1,532,019</u>

Net assets for the year increased by \$20,117. The unrestricted net assets give a good indication of the assets available for future operations.

A condensed statement of the Library's statement of activities is shown in Table 2 below.

**Table 2**  
Changes in Net Assets

	2009	2008
Program revenues	\$ 146,585	\$ 136,847
Local government support	1,938,859	1,892,906
Other revenues	154,354	257,078
	<u>2,239,798</u>	<u>2,286,831</u>
Expenses:		
Payroll and benefits	1,321,545	1,278,598
Books and periodicals	9,899	9,451
Occupancy	231,837	233,830
Depreciation	411,333	385,036
Other costs	245,067	344,747
	<u>2,219,681</u>	<u>2,251,662</u>
Increase in net assets	<u>\$ 20,117</u>	<u>\$ 35,169</u>

The decrease in other revenues is primarily related to the Library receiving about \$59,000 more in funding from the foundation in 2008 that was used to pay for capital campaign expenses. Government funding generally increased as a result of salary increases addressed by the recommendations of the Classification and Compensation Study. The increase in depreciation for 2009 is largely due to the age of the library's collection. The decrease in other costs from 2008 to 2009 is primarily due to capital campaign expenses incurred of approximately \$86,000 during 2008. The capital campaign has been suspended indefinitely.

#### **CAPITAL ASSETS**

At the end of the fiscal year the Library had \$922,515 invested in capital assets. It should be noted that the Library does not own its facilities in Smyrna, Murfreesboro, or Eagleville. They are owned jointly by Rutherford County and/or the respective cities. Capital asset additions in the current year were approximately \$339,000 including books purchased or donated of \$330,000. The remaining additions were primarily computers and related software.

#### **NEXT YEAR'S ACTIVITIES**

Management expects next year operations to be consistent with the 2009 fiscal year with some change due to level funding for FY2010..

LINEBAUGH LIBRARY SYSTEM

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government	Component Unit- Linebaugh Library Foundation
<b>ASSETS</b>		
Cash and cash equivalents	\$ 392,679	\$ 180,541
Investments	308,989	-
Prepaid expenses	18,222	-
Capital assets, net of accumulated depreciation	922,515	-
<b>TOTAL ASSETS</b>	<b>\$ 1,642,405</b>	<b>\$ 180,541</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,342	\$ -
Accrued vacation	88,927	-
<b>TOTAL LIABILITIES</b>	<b>90,269</b>	<b>-</b>
<b>NET ASSETS</b>		
Invested in capital assets	922,515	-
Unrestricted	628,450	168,393
Restricted for grant or other purposes	1,171	12,148
	1,552,136	180,541
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,642,405</b>	<b>\$ 180,541</b>

See notes to financial statements.



LINEBAUGH LIBRARY SYSTEM

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

	Primary Government	Component Unit- Linebaugh Library Foundation
Expenses:		
Payroll and benefits	\$ 1,321,545	\$ -
Periodicals	9,899	-
Occupancy costs	231,837	-
Depreciation	411,333	-
Other operating costs	245,067	1,781
Payments for Library support	-	-
Total program expenses	2,219,681	1,781
Program Revenues	146,585	-
Net program expense	2,073,096	1,781
General Revenues:		
Local government support	1,938,859	-
Interest	28,770	1,939
Donated Books	96,450	-
Grant income	12,452	-
Miscellaneous public support	16,682	6,290
Support from Library Foundation	-	-
Total general revenues	2,093,213	8,229
Increase in net assets	20,117	6,448
Net assets at beginning of year	1,532,019	174,093
Net assets at end of year	\$ 1,552,136	\$ 180,541

See notes to financial statements.



LINEBAUGH LIBRARY SYSTEM  
GOVERNMENTAL FUND BALANCE SHEET

Year Ended June 30, 2009

	<u>ASSETS</u>				
	Murfreesboro	Smyrna	Myrtle Lord	Eagleville	Total
Pooled cash and cash equivalents	\$ 175,879	\$ 176,422	\$ 27,514	\$ 12,863	\$ 392,678
Pooled investments	163,765	145,225	-	-	308,989
Prepaid items	13,152	4,720	19	331	18,222
Total assets	<u>\$ 352,796</u>	<u>\$ 326,367</u>	<u>\$ 27,533</u>	<u>\$ 13,194</u>	<u>\$ 719,890</u>

<u>LIABILITIES AND FUND BALANCES</u>					
Accounts payable	1,342	\$ -	\$ -	\$ -	\$ 1,342
Fund balance	351,454	326,367	27,533	13,194	718,548
Total liabilities and fund balance	<u>\$ 352,796</u>	<u>\$ 326,367</u>	<u>\$ 27,533</u>	<u>\$ 13,194</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not reported in the funds	922,515
Accrued vacation pay is not due in the current period and therefore is not reported in the funds	(88,927)
	<u>\$1,552,136</u>

See notes to financial statements.

LINEBAUGH LIBRARY SYSTEM

STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE

Year Ended June 30, 2009

	Murfreesboro	Smyrna	Myrtle Lord	Eagleville	Total
<b>Revenue</b>					
City funds	\$ 623,531	\$ 211,800	\$ 58,301	\$ 13,079	\$ 906,711
County funds	784,432	227,073	-	20,643	1,032,148
Gifts and memorials	11,674	4,849	-	160	16,683
Gifts from Library Foundation	-	-	-	-	-
Grant income	9,952	2,500	-	-	12,452
Interest income	18,969	9,021	393	387	28,770
Fines and miscellaneous	92,008	51,700	2,020	856	146,584
Total revenue	1,540,566	506,943	60,714	35,125	2,143,348
<b>Expenditures</b>					
Books purchased	162,833	61,845	5,523	2,432	232,633
Salaries	731,516	235,878	32,697	18,384	1,018,475
Payroll taxes	54,098	16,897	1,977	996	73,968
Retirement	52,749	14,794	-	-	67,543
Employee insurance	113,512	32,756	-	5,592	151,860
Utilities	73,043	37,746	-	1,429	112,218
Telephone	10,215	7,751	1,359	1,206	20,531
Supplies	30,278	9,760	730	792	41,560
Periodicals	6,132	2,529	1,237	-	9,898
Professional fees	27,245	2,040	325	325	29,935
Repairs and maintenance	77,661	16,939	-	768	95,368
Computer support and maintenance	25,373	12,345	4,538	1,699	43,955
Databases	22,924	10,859	4,826	1,609	40,218
Insurance	15,737	7,879	128	507	24,251
Binding	119	48	-	-	167
Miscellaneous	3,495	1,373	376	-	5,244
Equipment and other capital additions	2,698	447	-	23	3,168
Postage and freight	12,322	2,806	115	42	15,285
Travel and meetings	809	694	-	-	1,503
Professional development	4,594	1,002	22	15	5,633
Collection agency	10,192	5,094	206	67	15,559
Grant expenses	7,686	6,464	-	9,859	24,009
Reading programs	1,493	6,489	177	-	8,159
Total expenditures	1,446,725	494,434	54,236	45,745	2,041,141
Excess revenue over(under) expenditures	93,841	12,509	6,478	(10,620)	102,208
Fund balance - beginning of year	257,613	313,858	21,055	23,814	616,340
Fund balance - end of year	\$ 351,454	\$ 326,367	\$ 27,533	\$ 13,194	\$ 718,548

See notes to financial statements.

LINEBAUGH LIBRARY SYSTEM

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

Net change in governmental fund balances	\$ 102,208
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital asset additions as expenditures, however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital purchases	(72,392)
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Accrued vacation pay included in statement of activities do not require use of current financial resources and therefore are excluded from expenditures in the governmental funds	<u>(9,699)</u>
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Change in net assets of governmental activities	<u>\$ 20,117</u>
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See notes to financial statements.



**LINEBAUGH LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity - The financial statements presented are for the combined operations of Linebaugh Public Library, Murfreesboro, Tennessee; Smyrna Public Library, Smyrna, Tennessee; Myrtle Lord Library, Murfreesboro, Tennessee; and Eagleville Bicentennial Library, Eagleville, Tennessee (effective January 1, 2006). The Linebaugh Library System is considered a joint venture between the City of Murfreesboro, Tennessee, and City of Smyrna, Tennessee, and Rutherford County, Tennessee. The Library System is financed primarily by contributions from these entities. The city councils and county commission appoint the Board members. The Linebaugh Library Foundation is a legally separate, tax-exempt component unit of the Library System. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Library System in support of its programs. Although the Library System does not control the timing or amount of funds available from the foundation, all funds held by the foundation are for the ultimate benefit of the Library System, and therefore the foundation is considered a component unit of the Library System and is discretely presented in the Library System's financial statements. The foundation does not prepare separate financial statements.

The Linebaugh Library System is also referred to as the Rutherford County Library System.

Government Wide and Fund Financial Statements - The government wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Library System as a whole. Individual fund statements are not displayed. The Library System only has governmental fund activities.

The statement of activities reports the expenses of the Library System's program, which is the operation of the public library system in Murfreesboro and Smyrna. Program revenues include fees, fines and grants. General revenues consist primarily of local governmental funding. The fund financial statements are provided for the Library System's governmental funds.

Basis of Accounting - Government wide statements report using the accrual method of accounting. Governmental fund statements report using the modified accrual method of accounting. The major difference for the Library System between the two methods is the modified accrual method recognizes capital assets as expenditures whereas the accrual method capitalizes capital assets and allocates depreciation expense over the lives of the assets.

Major Funds - The Library System's accounts for the operation of the Murfreesboro and Smyrna Public Libraries are considered major funds. The Library System has elected to present the Myrtle Lord Library and the Eagleville Library as major funds in the governmental fund financial statements.



**LINEBAUGH LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)**

Capital Assets and Depreciation – The Library System's capital assets consist primarily of furniture, fixtures, computer equipment, and its book collection. The Library Systems' buildings are owned by their respective city and the county. Capital assets costing \$1,500 or more with a useful life of one year or more are capitalized. The costs of normal repair and maintenance that do not add to the asset value or materially extend useful lives are expensed. Capital assets are depreciated using the straight line method using lives of 7-10 years for furniture and fixtures and 4 years for computer equipment. Books are depreciated using a composite depreciation method over a 5 year period. Works of art and book collections that are held for historical preservation are expensed. Books that are discarded are charged off against the cost of books and accumulated depreciation using the most recent average cost. Donated books are valued at \$15 per book.

Budgeting – The Library System prepares an operating budget approved by the Board of Directors. The budget is not legally adopted.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE B - CASH AND INVESTMENTS**

The Library's cash deposits are entirely insured through federal depository insurance or the state multiple institution collateral pool. The Library System pools its cash and investments. Each fund's portion of a pool is displayed on its respective balance sheet as "pooled cash and cash equivalents".

The Library System considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

The Library's investments are reported at cost which approximates fair value and consists of the following:

Certificate of deposit F&M Bank, 1.98%, mature 11/24/09	\$ 102,995
Certificate of deposit F&M Bank, 1.98%, mature 11/24/09	102,995
Certificate of deposit- First Bank, 3.00%, mature 2/28/2010	100,000
Certificate of deposit- Region's Bank, 2.37%, mature 12/18/09	3,000
	<hr/>
	\$ 308,990

Statutes allow the Library to invest in certificates of deposit and the state treasurer's investment pool. Certificates of deposit are fully insured through federal depository insurance.

**LINEBAUGH LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE C – CAPITAL ASSETS**

Capital assets changes for the year were as follows:

	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
<b>Cost</b>				
Furniture and fixtures	\$ 765,007	\$ 9,858	\$ -	\$ 774,865
Computers and software	439,200	-	-	439,200
Vehicles	110,771	-	-	110,771
Books	5,559,581	329,083	139,791	5,748,873
	<u>\$ 6,874,559</u>	<u>\$ 338,941</u>	<u>\$ 139,791</u>	<u>\$ 7,073,709</u>
<b>Accumulated Depreciation</b>				
Furniture and fixtures	\$ 542,219	\$ 39,438	\$ -	\$ 581,657
Computers and software	371,461	26,802	-	398,263
Vehicles	55,528	22,154	-	77,682
Books	4,910,444	322,939	139,791	5,093,592
	<u>\$ 5,879,651</u>	<u>\$ 411,333</u>	<u>\$ 139,791</u>	<u>\$ 6,151,194</u>

**NOTE D - PENSION PLAN**

*Plan Description*

Employees of the Linebaugh Library System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Linebaugh Library System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.



**LINEBAUGH LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE D – PENSION PLAN(CONTINUED)**

*Funding Policy*

The Linebaugh Library System requires employees to contribute 5.0 percent of earnable compensation. The Linebaugh Library System is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 9.17% of annual covered payroll. The contribution requirements of plan members are set by state statute.

The contribution requirement for the Linebaugh Library System is established and may be amended by the TCRS Board of Trustees.

*Annual Pension Cost*

For the year ending June 30, 2009, the Linebaugh Library System's annual pension cost of \$67,543 to TCRS was equal to the Linebaugh Library System required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. The Linebaugh Library System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Three year trend information is as follows:

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Year ending June 30, 2009	\$ 67,543	100.0%	\$ -
2008	\$ 53,317	100.0%	\$ -
2007	\$ 56,197	100.0%	\$ -

*Funded Status and Funding Progress*

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.05% funded. The actuarial accrued liability for benefits was \$2.02 million, and the actuarial value of assets was \$1.74 million, resulting in an unfunded actuarial accrued liability(UAAL) of \$0.28 million. The covered payroll(annual payroll of active employees covered by the plan) was \$740,000, and the ratio of the UAAL to the covered payroll was 37.85%.

The schedules of funding progress, presented as required supplementary information(RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**LINEBAUGH LIBRARY SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE D – PENSION PLAN(CONTINUED)**

The annual required contribution(ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
7/1/2007	\$ 1,740	\$ 2,022	\$ 282	86.05%	\$ 745	37.85%

**NOTE E - ACCRUED VACATION**

Accrued vacation carryover is based on years of service. An employee working 1-5 years can carryover 30 days, while 5-10 years is 36 days, 10-20 years is 39 days, and 20+ years is 42 days.

**NOTE F - RISK MANAGEMENT**

The Library System is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, natural disasters, injuries to employees, etc. The library system carries commercial insurance to cover significant losses. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the last three fiscal years.



# LINEBAUGH LIBRARY SYSTEM

## SCHEDULE OF FUNDING PROGRESS

(dollar amounts in thousands)

(pension plan)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)-Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	(a)	(b)	(b - a)	(a/b)	(c)	((b-a)/c)
7/1/2007	\$ 1,740	\$ 2,022	\$ 282	86.05%	\$ 745	37.85%

The Governmental Accounting Standards Board(GASB) requires the plan to present the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year of the most recent actuarial valuation date, therefore only the most current year is presented.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Linebaugh Library System

We have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of the Linebaugh Library System as of and for the year ended June 30, 2009, and have issued our report thereon dated December 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rutherford County Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Linebaugh Library System's control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Linebaugh Library System's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Linebaugh Library System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Linebaugh Library System's financial statements that is more than inconsequential will not be prevented or detected by the Rutherford County Library's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting: Findings 2009-1 and 2009-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Linebaugh Library System's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above are not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Linebaugh Library System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Linebaugh Library System's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Linebaugh Library System's response and accordingly, we express no opinion on it.

This report is intended for the information of the board of directors, management and applicable federal, state and local authorities and is not intended to be and should not be used by anyone other than these specified parties.



Murfreesboro, Tennessee  
December 10, 2009



**LINEBAUGH LIBRARY SYSTEM**  
**SCHEDULE OF FINDINGS AND RESPONSES**

**JUNE 30, 2009**

**Part I – Summary of Auditor Results**

Type of report issue: unqualified

Internal control over financial reporting:

- |   |     |
|---|-----|
| • Material weakness identified?   | No  |
| • Significant deficiency identified that are not considered material weakness | Yes |

Noncompliance material to financial statements noted:	No
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**Part II – Financial Statement Finding**

**Finding 2009-1**

<u>Criteria-</u>	Bank reconciliation duties, cash disbursements and bank deposit duties should be segregated.
<u>Condition-</u>	Bookkeeper currently prepares all checks and reconciles all accounts and makes the bank deposits.
<u>Cause-</u>	Library system does not have enough staff to properly segregate such duties.
<u>Effect-</u>	Errors or irregularities could occur and not be discovered in a timely manner.
<u>Recommendation-</u>	Library Director could have bank statement sent directly to her from the bank to scan cancelled checks, etc and then also review the monthly bank reconciliations prepared by the bookkeeper. Consideration should be given to having another individual make the bank deposit.
<u>Response-</u>	We feel the dual check signing by our treasurer and Library Director mitigates this to large degree, and the Library Director does receive the bank statement directly and review it each month. Our limited staff may make it difficult to segregate the bank deposit duties, but we will consider assigning that responsibility to another person. We may consider having the Library Director review the bank deposits each month and compare the deposits to other internally produced records of cash receipts.



## LINEBAUGH LIBRARY SYSTEM

### SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

#### **Finding 2009-2**

<u>Criteria-</u>	Financial statements should be prepared in accordance with generally accepted accounting principles(GAAP).
<u>Condition:</u>	Preparation of financial statements at end of year requires significant assistance from auditor to comply with generally accepted accounting principles.
<u>Cause:</u>	Library staff does not have the training or expertise necessary to prepare financial statements in accordance with generally accepted accounting principles.
<u>Effect:</u>	Library relies on auditor to adjust year end books to comply with generally accepted accounting principles.
<u>Recommendation:</u>	Management should consider putting in place procedures to enable the Library to prepare financial statements in accordance with generally accepted accounting principles.
<u>Response:</u>	We do not believe it is practical for us to acquire the necessary expertise to prepare GAAP based financial statements. Our internal statements mainly reflect our cash transactions and are most meaningful to management and the board of directors to assist in operating the library. We do not believe we would see any significant benefit from being able to consistently produce GAAP basis reports.